

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE ADJUSTMENT OF RATES OF OKOLONA)
SEWER CONSTRUCTION DISTRICT OF) CASE NO. 8751
JEFFERSON COUNTY, KENTUCKY)

O R D E R

IT IS ORDERED that Okolona Sewer Construction District of Jefferson County ("Okolona") shall file an original and seven copies of the following information with the Commission, with a copy to the Attorney General's Consumer Protection Division by April 7, 1983. Okolona shall furnish the name of the witness who will be available at the public hearing to respond to questions concerning each item of information provided. If neither the requested information nor a motion for an extension of time if filed by the stated date the case will be dismissed.

1. Exhibit No. 5 part (A) "Contract Revenue" from the application contains the following statement:

"We have also not included any extraordinary expenses which might be incurred directly related to the extra income."

Exhibit No. 2 part (C) of the response to the Commission's Order dated February 2, 1983, contains the following statement:

"We had no extraordinary expenses other than those reported for the test period."

Provide a list of the extraordinary expenses and the account charged for the test period.

2. The response to the Commission's Order dated February 2, 1983, includes an Exhibit No. 2B "Contract Revenue Attributed to Emergency Sewer Problems." Within this exhibit is an analysis of the sources of contract revenue for the test period. In reference to contract revenue and the analysis provide the following:

- a. Copies of contracts with those entities listed in the analysis and with any other parties from which Okolona derives contract revenue.
- b. The basis, complete with any calculations and assumptions used in arriving at monthly fees charged to those parties receiving services charged to contract revenue.
- c. A breakdown of the total costs to Okolona in connection with services provided under contract revenue and the account charged for the test period. Amounts under \$100 may be grouped within a common classification.

3. The response to the Commission's Order dated February 2, 1983, includes an Exhibit No. 5 "Miscellaneous Fees."

Provide the following concerning this item.

- a. A breakdown of the costs incurred from these constuction activities and the account charged for the test period. Amounts under \$100 may be grouped within a common classification.
- b. Has any new construction occurred within the district subsequent to the test period?

- c. If so, provide a description of the construction, the cost to Okolona, the date, and the amount of any fees received.

4. Exhibit No. 5 from the application reflects an adjustment to increase test period salaries and wages by \$19,603. The explanation for this proposed adjustment states that it is based on a 11.5 percent pay increase effective December 1, 1982, and the proposed addition of 1.5 men to the current work force. Exhibit No. 7 of the response dated March 1, 1983, reflects that a 11.5 percent pay increase would result in an annual increase of approximately \$12,511 to test period salary and wage expense and Exhibit No. 9 from the same response reflects that adding 1.5 men to the work force results in an increase of \$15,600. The two items reflect a total increase of \$28,111. Provide an explanation for the difference between this amount and the amount of the proposed adjustment.

5. Provide the basis used in fixing the monthly commissioner fees.

6. Provide the name and address of each of the Commissioners of Okolona along with his or her personal mailing address. If, during the course of these proceedings, any changes occur in board membership, provide an update to this request.

7. In reference to Exhibit No. 13 from the response to the Commission's Order dated February 2, 1983, provide the following:

- a. Will the work performed on the "Routs blower compressor" extend the service life of the equipment? If so, how long will it be extended?
- b. Does the expenditure for the "Gorman Rupp Triplex High Temperature Control System" represent a new or replacement item?

8. Exhibit No. 14 of the response to the Commission's Order dated February 2, 1983 reflects the following expenditures for repairs and maintenance for the calendar years indicated:

1979	\$33,573
1980	30,367
1981	52,369

The operating statement filed with the application reflects that repairs and maintenance totalled \$24,577 for the test period. Provide an explanation for the significant fluctuation in this account for the periods indicated.

9. Are there any amounts included within test period repairs and maintenance which are extraordinary or non-recurring in nature?

10. Exhibit No. 15 of the response to the Commission's Order dated February 2, 1983, reflects that the \$500 projected expenditure for lab analysis of the lagoons is too low and should be adjusted to a total of \$5,075. Provide the following concerning this item.

- a. What is the purpose of this analysis?
- b. How often will the analysis be performed?

- c. What effect will this proposed change have on the rates proposed by Okolona?
- d. Will any of these costs be reoccurring? If so how much and how often?
- e. Were bids taken for the cost of this analysis?

11. Is Okolona aware of the Commission's policy to compute depreciation expense on the basis of the original cost of plant in service less contributions in aid of construction?

Are you in agreement with this Policy?

If not, please explain.

12. Exhibit No. 17 of the response to the Commission's Order dated February 2, 1983, included the following expenditures for meetings seminars, education, etc.

7/82	Louisville	\$273
8/82	Louisville	\$283

Provide a detailed breakdown for each of these expenditures.

13. Provide copies of contracts between Okolona and those parties which provide professional services under a retainer arrangement. If a contract is not available provide complete details of the services to be provided for the retainer.

14. Exhibit 18B of the response to the Commission's Order dated February 2, 1983, includes an invoice dated August 19, 1982, from an accounting firm for services provided from April, 1982 to July 1982. The invoice reflects a total charge of \$553. The services provided are described as follows:

"Discussions with bond counsel and review of opinion letter related to bond reserves."

"Review of status of accounting records through June 30, 1982."

How often are these services required?

15. Provide the basis for amortizing rate case expense from Exhibit No. 5 of the application over a 3-year period.

16. Provide copies of the contracts for engineering, accounting and legal services to be provided to Okolona in this rate case.

17. Exhibit No. 19 of the response to the Commission's Order dated February 2, 1983 included an estimate of the number of hours to be charged to Okolona for engineering, accounting and legal services for this rate case. Provide the basis for the estimated hours.

18. Exhibit No. 25 of the response to the Commission's Order dated February 2, 1983, includes two bids concerning the overhauling of aeration system no. 1 and no. 2. One of the bids totalled \$43,525 and the other bid totalled \$72,084. Item No. 16 of Exhibit No. 5 from the application reflects a proposed adjustment of \$5,000 for this work. Provide an explanation for the difference in the amounts.

19. The response to the Commission's Order dated February 2, 1983, includes an Exhibit No. 10 "Blue Cross-Blue Shield Costs" and an Exhibit No. 15 "Testing Costs." Both Exhibits include vendor confirmations for proposed adjustments to test period expenses. Provide the basis for the percent figure used

in the confirmations and evidence of actual increases in these expenses.

20. The response to the Commission's Order dated February 2, 1983, includes an Exhibit No. 26 "Test Period Operating Statement Adjustments." The Exhibit includes vendor confirmations for proposed adjustments to the following test period expenses:

- a. Chemicals
- b. Vehicle Expense
- c. Repairs and Maintenance
- d. Accounting

Provide the basis for the percent figure used in the confirmations and evidence of actual increases in these expenses.

21. The response to the Commission's Order dated February 2, 1983, includes an Exhibit No. 26C "Office Expense." The exhibit reflects a different proposed adjustment to test period office expense than the proposed adjustment of \$164 listed within the application. Item No. 26 of the Order dated February 2, 1983, requested the basis for the adjustment proposed within the application. Provide the basis for the adjustment proposed within the application or if the adjustment is to be amended provide the amount and the basis for any amendment to the proposed adjustment.

22. In reference to exhibit No. 3 "Transfer of Assessments to Cover Administrative Charges" of the response to

the Commission's Order dated February 2, 1983 provide the basis used in arriving at the expenses listed on Exhibit 3a and Exhibit 3b.

23. Provide a detailed analysis of the derivation of interest expense on bonds as reflected in the test period operating statement.

Done at Frankfort, Kentucky, this 16th day of March, 1983.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary